

## Message Text

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TO AMEMBASSY KUWAIT

C O N F I D E N T I A L STATE 057962

KUWAIT POUCH TO BAGHDAD FOR INFO

FOLLOWING REPEAT CANBERRA 1811 ACTION SECSTATE INFO MELBOURNE

SYDNEY LONDON WELLINGTON CINCPAC 8 MAR 76

QUOTE

C O N F I D E N T I A L CANBERRA 1811

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: AS, PINT

SUBJECT: ALP FEDERAL EXECUTIVE CONDEMNS WHITLAM OVER THE IRAQI  
GIFT AFFAIR

REF: CANBERRA 1681

1. SUMMARY: THE FEDERAL EXECUTIVE OF THE ALP AFTER A  
STORMY, WEEKEND-LONG, 25 HOUR MEETINOBIN CANBEGNA MARCH  
5-7, CONDEMNED ALP PARLIAMENTARY LEADER GOUGH WHITLAM,  
FEDERAL SECRETARY DAVID COOMBE, AND EXECUTIVE MEMBER WILLIAM  
HARTLEY IN THE QTE STRONGEST TERMS END QTE FOR THEIR INVOLVE-  
MENT IN ATTEMPTS TO SECURE FUNDS FOR THE ALP FROM ARAB  
SOURCES. THE ALP FEDERAL EXECUTIVE STOPPED SHORT OF FIRING  
FEDERAL SECRETARY COOMBE OR OF RECOMMENDING WHITLAM'S DIS-  
MISSAL AS THE ALP'S PARLIAMENTARY LEADER. THE GENERAL FEEL-  
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ING NOW IS THAT WHITLAM WILL SURVIVE AS ALP PARLIAMENTARY

LEADER AT THE ALP CAUCUS MEETING SCHEDULED FOR MARCH 17 BUT THAT HE WILL BE REPLACED AS LEADER SOMETIME IN THE NEXT YEAR. END SUMMARY.

2. ALP FEDERAL SECRETARY BOB HAWKE GAVE THE PRESS FULL DETAILS OF THE IRAQI GIFT AFFAIR. THE SEQUENCE IS AS FOLLOWS: ON NOVEMBER 16 WILLIAM HARTLEY SUGGESTED TO WHITLAM AND COOMBE THAT ARAB MONEY MIGHT BE MADE AVAILABLE TO THE ALPCM. WHITLAM TOOK UP THE PROPOSAL AND TOLD COOMBE TO GET IN TOUCH WITH HENRY FISHER, A REPRESENTATIVE OF THE SCARF FOUNDATION, TO DISCUSS THE MATTER. WHITLAM THEN HAD BREAKFAST ON DECEMBER 10 WITH TWO IRAQIS, MR. COOMBE, AND MR. FISHER AT FISHER'S APARTMENT IN SYDNEY. WHITLAM SUBSEQUENTLY ALLOWED MR. COOMBE TO OVERSPEND HIS APPROVED ADVERTISING BUDGET BY \$US 500,000, THE AMOUNT WHICH THE IRAQIS WERE SUPPOSED TO CONTRIBUTE TO THE ALP. FINALLY ON FEBRUARY 11, WHITLAM AND COOMBE SIGNED A PROPOSED LETTER TO THE COMMONWEALTH BANK TO GUARANTEE AN ALP OVERDRAFT OF \$A250,000 ON THE BASIS THAT DONATIONS TO COVER THE OVERDRAFT WERE EXPECTED WITHIN FOUR DAYS. IT WAS AT THIS TIME THAT FEDERAL ALP PRESIDENT HAWKE AND OTHER MEMBERS OF THE FEDERAL EXECUTIVE FIRST BECAME AWARE OF THE PROPOSED IRAQI GIFT AND REJECTED IT.

3. COMMENT: IT IS NOW CLEAR THAT WHITLAM WAS IN THIS WHOLE AFFAIR UP TO HIS NECK. THE FEDERAL EXECUTIVE'S CONDEMNATION OF HIM HAS GRAVELY INJURED HIS PERSONAL REPUTATION AND SERIOUSLY WEAKENED HIS POLITICAL EFFECTIVENESS. THE ONLY QUESTION NOW SEEMS TO BE NOT WHETHER HE WILL GO AS THE ALP'S PARLIAMENTARY LEADER BUT WHEN. THE FEDERAL EXECUTIVE STOPPED SHORT OF FIRING SECRETARY COOMBE, A STEP IT COULD HAVE TAKEN, AND IT STOPPED SHORT OF RECOMMENDING THAT WHITLAM BE DISMISSED AS PARLIAMENTARY LEADER. THE LATTER STEP COULD HAVE PROVOKED THE ALP'S PARLIAMENTARY CAUCUS WHICH JEALOUSLY GUARDS ITS RIGHT TO CHOOSE THE PARLIAMENTARY LEADER. MOST OBSERVERS BELIEVE THE CAUCUS WILL RETAIN WHITLAM AS LEADER FOR THE TIME BEING, BUT THAT HE WILL BE FORCED TO STEP DOWN WITHIN THE NEXT TWELVE MONTHS. THIS IS THE LIKELY OUTCOME.

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4. WE NOTE, HOWEVER, THAT THERE ARE ENOUGH PEOPLE WITHIN THE CAUCUS TO VOTE WHITLAM OUT NOW. THE PROBLEM FOR THE VARIOUS CAUCUS FACTIONS IS TO AGREE ON SOMEONE TO REPLACE HIM. IF A CONSENSUS CANDIDATE EMERGES IN THE NEXT TEN DAYS, WHITLAM MIGHT WELL BE DROPPED ON MARCH 17. FORMER TREASURER WILLIAM HAYDEN COULD HAVE THE LEADERSHIP IF HE WANTED IT. FORMER EDUCATION MINISTER KIM BEAZLEY AND FORMER MINISTER FOR INDUSTRY AND COMMERCE LIONEL BOWN ARE OTHER

LEADERSHIP POSSIBILITIES.

5. BEHIND THE SCENES ALP FEDERAL PRESIDENT BOB HAWKE REMAINS THE KEY TO THE STRUGGLE. HAWKE WANTS TO LEAD THE PARLIAMENTARY PARTY BUT STILL HAS TO GET INTO PARLIAMENT AND GET HIMSELF ELECTED LEADER. IT APPEARS TO BE IN HIS INTEREST AT THIS TIME EITHER TO HAVE WHITLAM RETAIN THE LEADERSHIP OR TO HAVE HIM REPLACED BY AN OBVIOUSLY INTERIM LEADER LIKE KIM BEAZLEY. HAWKE LOOKS MORE AND MORE LIKE A LEADER. HE EMERGED FROM THIS GIFT AFFAIR WITH EVEN MORE STATURE. THE QUESTION IS WHETHER THE OLD AND JEALOUS MEMBERS OF THE ALP CAUCUS WHICH NOW PREDOMINATE ARE BIG ENOUGH AND INTELLIGENT ENOUGH TO PLACE THE PARTY'S INTERESTS ABOVE THEIR OWN PETTY CONCERNS BY INDICATING A WILLINGNESS TO ACCEPT HAWKE AS PARLIAMENTARY LEADER. IF HISTORY IS A GUIDE, THEY WELL MIGHT NOT BE.

6. THE ONE CLEAR THING THAT DOES EMERGE FROM THIS SORRY BUSINESS IS THAT THE ALP NOW MUST FIGHT STATE ELECTIONS IN VICTORIA AND NEW SOUTH WALES TAINTED BY POLITICAL SCANDAL AND WITH AN EMPTY WAR CHEST. END COMMENT.  
HARGROVE

UNQUOTE  
KISSINGER

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